

**ALTON TOWN, UTAH**  
**FINANCIAL STATEMENTS**  
**and**  
**SUPPLEMENTARY INFORMATION**  
**with**  
**INDEPENDENT AUDITOR'S REPORT**  
**YEAR ENDED JUNE 30, 2006**

# ALTON TOWN, UTAH

## TABLE OF CONTENTS

### Financial Section:

Independent Auditor's Report .....	1-2
Management's Discussion and Analysis.....	3-8

### Basic Financial Statements:

#### Government-Wide Financial Statements:

Statement of Net Assets.....	9
Statement of Activities.....	10-11

### Fund Financial Statements:

Balance Sheet - Governmental Funds.....	12
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets.....	13
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.....	14
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	15
Statement of Net Assets - Major Proprietary Funds.....	16
Statement of Revenues, Expenses, and Changes in In Net Assets - Major Proprietary Funds.....	17
Statement of Cash Flows - Major Proprietary Funds.....	18
Notes to Financial Statements.....	19-29

### Required Supplementary Information (Unaudited):

#### Budgetary Comparison Schedules:

General Fund.....	30
-------------------	----

### Compliance Section

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.....	31-32
Independent Auditor's Report on Legal Compliance with Applicable Utah State Laws and Regulations.....	33-34

# Wilson & Company

Certified Public Accountants / A Professional Corporation

## INDEPENDENT AUDITOR'S REPORT

The Honorable Town Council  
Alton Town  
Alton, Utah

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Alton Town, Utah as of and for the year ended June 30, 2006 which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Alton Town, Utah as of June 30, 2006 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2007, on our consideration of Alton Town, Utah's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis, as listed in the financial section of the table of contents and budgetary comparison information on page 30 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Alton Town, Utah's basic financial statements. The combining and individual nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements of Alton Town, Utah. The combining and individual nonmajor fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



WILSON & COMPANY  
Certified Public Accountants

January 10, 2007  
Cedar City, Utah

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion of Alton Town's financial performance provides an overview of the Town's financial activities for the year ending June 30, 2006. This report is in conjunction with the Town's financial statements.

### Financial Highlights

The assets of Alton Town exceeded its liabilities as of the close of the most recent year by \$1,534,151 (*net assets*). Of this amount, \$98,885 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.

The government's total net assets increased by \$602,021. The expenditures exceeded revenues and the adopted budgeted amounts for expenditures exceeded the actual expenditure amounts.

At the close of the current year, Alton Town's government funds reported combined ending fund balances of \$81,005, an increase of \$36,834 in comparison with the prior year. Of this total amount, \$81,005 is available for spending at the government's discretion (*unreserved fund balance*).

Alton Town's total debt increased by \$104,895 during the current year.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Alton Town's basic financial statements. Alton Town's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

### Government-wide financial statements

The *government-wide financial statements* are designed to provide readers with a broad overview of Alton Town's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of Alton Town's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Alton Town is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of Alton Town that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities of Alton Town include general government, public safety, highways & streets, sanitation, and culture and recreation. The business-type activities of Alton Town's are water and sewer services.

### **Fund financial statements**

A *fund* is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Alton Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Alton Town can be divided into two categories: governmental funds and enterprise funds.

### **Governmental funds**

*Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on balance of spendable resources available at the end of the year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Alton Town maintains one governmental fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund.

Alton Town adopts an annual appropriated budget for its governmental fund. Budgetary comparison statements have been provided for the general fund to demonstrate compliance with those budgets.

Refer to the table of contents for the location of the basic governmental fund financial statements.

### **Proprietary funds**

Alton Town maintains one proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. Alton Town uses an enterprise fund to account for its water operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water services which are considered a major funds of the Town.

Refer to the table of contents for the location of the basic proprietary fund financial statements.

### **Notes to the financial statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes are part of the basic financial statements.

### **Other information**

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning Alton Town.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information.

### **Government-wide financial analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Alton Town, assets exceeded liabilities by \$1,534,151 at the close of the most recent fiscal year.

By far the largest portion of Alton Town's net assets (93 percent) reflects its investment in capital assets (e.g. land, buildings, machinery, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. Alton Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although Alton Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

At the end of the year, Alton Town is able to report positive balances in both categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

#### Alton Town's Net Assets

	Governmental Activities		Business-type Activities	
	2006	2005	2006	2005
Current & other assets	94,997	62,928	28,086	17,781
Capital assets	534,576	543,783	1,114,319	444,650
Total assets	629,573	606,711	1,142,405	462,431
Long-term Liabilities outstanding	-	-	223,063	118,168
Other liabilities	13,992	18,757	772	87
Total liabilities	13,992	18,757	223,835	118,255
Net assets:				
Invested in cap. assets, net of debt	534,576	543,783	891,256	326,482
Restricted			9,434	9,044
Unrestricted	81,005	44,171	17,880	8,650
Total net assets	615,581	587,954	918,570	344,176



## Changes in Alton Town's Net Assets

	Governmental Activities		Business-type Activities	
	2006	2005	2006	2005
Revenues:				
Program revenues				
Charges for services	5,748	3,695	25,235	19,661
Operating grants and contributions	19,019	14,490	-	-
Capital grants and contributions		28,080	593,135	2,500
General revenues				
Property taxes	19,669	18,649		
General sales and use taxes	12,361	9,987		
Earnings on investments	2,504	980	505	264
Miscellaneous	1,847	2,925		
Transfers	5,903		(5,903)	
Total revenues	67,051	78,806	612,972	22,425
Expenses:				
General government	28,451	32,712		
Public Safety	2,178	5,712		
Highways & streets	7,590	7,208		
Parks & recreation	1,205	1,083		
Water fund			38,578	19,148
Total expenses	39,424	46,715	38,578	19,148
Prior period adjustment		(194,264)		11,060
Increase in net assets	27,627	(162,173)	574,394	14,337

### Financial Analysis of the Government's Funds

As noted earlier, Alton Town uses fund accounting to ensure and demonstrate compliance with finance-related requirements.

#### Governmental funds

The focus of Alton Town's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing Alton Town's financing requirements. In particular *unreserved fund balance*, which is available for spending at the government's discretion.

The general fund is the chief operating fund of Alton Town. At the end of the current year, unreserved fund balance of the general fund was \$81,005, which is the total fund balance. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures.

### **Proprietary funds**

Alton Town's proprietary funds provides the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the water service fund at the end of the year amounted to \$17,880.

### **General Fund Budgetary Highlights**

The general government department exceeded the adopted budget for the year.

During the year actual revenues were less than budgeted revenues by \$227,242, and actual expenditures were less than budgeted expenditures by \$255,083.

### **Capital Asset and Debt Administration**

#### **Capital assets**

Alton Town's investment in capital assets for its governmental activities as of June 30, 2006, amounts to \$534,576 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings and equipment.

Additional information on Alton Town's capital assets can be found in the notes to the financial statements.

#### **Long-term debt**

At the end of the current year, Alton Town's had total debt outstanding of \$223,063. The debt represents bonds issued to finance water and sewer projects in prior years.

Additional information on Alton Town's long-term debt can be found in the notes of the financial statements.

### **Requests for Information**

This financial report is designed to provide a general overview of Alton Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Alton Town, P. O. Box 159, Alton, Utah, 84752.

**ALTON TOWN, UTAH****Statement of Net Assets**

June 30, 2006

	<b>Governmental Activities</b>	<b>Business Type Activities</b>	<b>Total</b>
<b>Assets:</b>			
Current assets:			
Cash & cash equivalents	\$ 79,758	\$ 24,041	\$ 103,799
Accounts receivable	1,800	4,045	5,845
Property tax receivable	13,439	0	13,439
Capital assets, net of accumulated depreciation	534,576	1,114,319	1,648,895
Total assets	<u>629,573</u>	<u>1,142,405</u>	<u>1,771,978</u>
<b>Liabilities and Net Assets</b>			
<b>Liabilities :</b>			
Accounts payable	553	772	1,325
Deferred revenue property tax receivable	13,439	-	13,439
Bonds payable			-
Portion due within one year		5,105	5,105
Portion due after one year		217,958	217,958
Total liabilities	<u>13,992</u>	<u>223,835</u>	<u>237,827</u>
<b>Net Assets:</b>			
Invested in capital assets, net of related debt	534,576	891,256	1,425,832
Restricted for:			
Debt service		9,434	9,434
Unrestricted	81,005	17,880	98,885
Total net assets	<u>\$ 615,581</u>	<u>\$ 918,570</u>	<u>\$ 1,534,151</u>

The notes to the financial statements are an integral part of this statement.

**ALTON TOWN, UTAH**  
**Statement of Activities**  
Year Ended June 30, 2006

Functions	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
General government	\$ 28,451	\$ 5,513	\$ 4,220	\$ -	\$ (18,718)
Public Safety	2,178		48		(2,130)
Highways & streets	7,590		14,751		7,161
Parks & recreation	1,205	235			(970)
Total governmental activities	39,424	5,748	19,019	-	(14,657)
Business-type activities:					
Water Fund	38,578	25,235		593,135	579,792
Total business-type activities	38,578	25,235	-	593,135	579,792
Total government	\$ 78,002	\$ 30,983	\$ 19,019	\$ 593,135	\$ 565,135

(Continued on page 11)

**ALTON TOWN, UTAH**  
**Statement of Activities**  
Year Ended June 30, 2006

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>Changes in net assets</b>			
<b>Net (expense) revenue from previous page</b>	\$ (14,657)	\$ 579,792	\$ 565,135
<b>General revenues:</b>			
Taxes:			
Property taxes	19,669		19,669
General sales and use taxes	12,361		12,361
Earnings on investments	2,504	505	3,009
Miscellaneous	1,847		1,847
Transfers	5,903	(5,903)	-
<b>Total general revenues and transfers</b>	<u>42,284</u>	<u>(5,398)</u>	<u>36,886</u>
Increase in net assets	27,627	574,394	602,021
<b>Net assets - beginning</b>	587,954	344,176	932,130
<b>Net assets - ending</b>	<u>\$ 615,581</u>	<u>\$ 918,570</u>	<u>\$ 1,534,151</u>

The notes to the financial statements are an integral part of this statement.

**ALTON TOWN, UTAH**  
**Balance Sheet**  
**Governmental Funds**  
June 30, 2006

	<u>General</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>		
Cash & cash equivalents	\$ 79,758	\$ 79,758
Accounts receivable	1,800	1,800
Total assets	<u>\$ 81,558</u>	<u>\$ 81,558</u>
<b>Liabilities:</b>		
Accounts payable	<u>\$ 553</u>	<u>\$ 553</u>
Total liabilities	<u>553</u>	<u>553</u>
<b>Fund balances:</b>		
Reserved	31,850	31,850
Unreserved, undesignated	<u>49,155</u>	<u>49,155</u>
Total fund balances	<u>81,005</u>	<u>81,005</u>
Total liabilities and fund balances	<u>\$ 81,558</u>	<u>\$ 81,558</u>

The notes to the financial statements are an integral part of this statement.

**ALTON TOWN, UTAH**  
**Reconciliation of the Balance Sheet of Governmental Funds**  
**to the Statement of Net Assets**  
**June 30, 2006**

---

Amounts reported for governmental activities in the statement of net assets are different because:

<b>Total fund balance - governmental funds</b>	\$ 81,005
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$742,010 and the accumulated depreciation is \$207,434	534,576
<b>Total net assets - governmental activities</b>	<u><u>\$ 615,581</u></u>

The notes to the financial statements are an integral part of this statement.

**ALTON TOWN, UTAH**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
Year Ended June 30, 2006

	<u>General</u>	<u>Total Governmental Funds</u>
<b>REVENUES:</b>		
Property taxes	\$ 19,669	\$ 19,669
Sales and use taxes	12,361	12,361
Licenses and permits	3,688	3,688
Intergovernmental revenues	19,019	19,019
Charges for services	2,060	2,060
Interest earnings	2,504	2,504
Miscellaneous revenues	1,847	1,847
Total revenues	<u>61,148</u>	<u>61,148</u>
<b>EXPENDITURES:</b>		
General government	20,342	20,342
Public Safety	1,762	1,762
Highways & streets	6,908	6,908
Parks & recreation	1,205	1,205
Total expenditures	<u>30,217</u>	<u>30,217</u>
Excess of revenues over (under) expenditures	<u>30,931</u>	<u>30,931</u>
<b>OTHER FINANCING SOURCES (USES):</b>		
Operating transfers in	697,635	697,635
Operating transfers out	(691,732)	(691,732)
Total other financing sources (uses)	<u>5,903</u>	<u>5,903</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>36,834</u>	<u>36,834</u>
FUND BALANCES JULY 1	44,171	44,171
FUND BALANCES JUNE 30	<u>\$ 81,005</u>	<u>\$ 81,005</u>

The notes to the financial statements are an integral part of this statement.



**ALTON TOWN, UTAH**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in**  
**Fund Balances of Governmental Funds to the Statement of Activities**  
**Year Ended June 30, 2006**

---

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances-total governmental funds	\$ 36,834
--	-----------

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with an initial, individual cost of more than \$5,000 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Depreciation expense	<u>(9,207)</u>	(9,207)
----------------------	----------------	---------

Change in net assets of governmental activities	<u><u>\$ 27,627</u></u>
---	-------------------------

The notes to the financial statements are an integral part of this statement.

**ALTON TOWN, UTAH**  
**Statement of Net Assets**  
**Major Proprietary Funds**  
June 30, 2006

	<b>Water Fund</b>	<b>Total</b>
<b>Assets</b>		
Current assets:		
Cash & cash equivalents	\$ 24,041	\$ 24,041
Accounts receivable	4,045	4,045
Total current assets	<u>28,086</u>	<u>28,086</u>
Long-term assets:		
Capital assets, net of accumulated depreciation	1,114,319	1,114,319
Total long-term assets	<u>1,114,319</u>	<u>1,114,319</u>
Total assets	<u>1,142,405</u>	<u>1,142,405</u>
<b>Liabilities and Net Assets</b>		
Liabilities :		
Current liabilities:		
Accounts payable	772	772
Bonds payable within one year	<u>5,105</u>	<u>5,105</u>
Total current liabilities	<u>5,877</u>	<u>5,877</u>
Long-term liabilities:		
Bonds payable after one year	217,958	217,958
Total long-term liabilities	<u>217,958</u>	<u>217,958</u>
Total liabilities	<u>223,835</u>	<u>223,835</u>
Net assets:		
Invested in capital assets, net of related debt	891,256	891,256
Restricted for:		
Debt service	9,434	9,434
Unrestricted	<u>17,880</u>	<u>17,880</u>
Total net assets	<u>\$ 918,570</u>	<u>\$ 918,570</u>

The notes to the financial statements are an integral part of this statement.

**ALTON TOWN, UTAH**  
**Statement of Revenues, Expenses and Changes in Net Assets**  
**Major Proprietary Funds**  
**Year Ended June 30, 2006**

	<b>Water Fund</b>	<b>Total</b>
<b>Operating revenues:</b>		
Net revenue	\$ 25,235	\$ 25,235
Total operating revenues	<u>25,235</u>	<u>25,235</u>
<b>Operating expenses:</b>		
Contractual services	2,166	2,166
Professional services	8,766	8,766
Repairs & maintenance	2,012	2,012
Operating expenses	2,735	2,735
Other	1,223	1,223
Depreciation	<u>16,401</u>	<u>16,401</u>
Total operating expenses	<u>33,303</u>	<u>33,303</u>
Operating income (loss)	<u>(8,068)</u>	<u>(8,068)</u>
<b>Nonoperating income (expense):</b>		
Interest Revenue	505	505
Impact Fees	2,500	2,500
Grant revenue	590,635	590,635
Interest Expenses	<u>(5,275)</u>	<u>(5,275)</u>
Total nonoperating income	<u>588,365</u>	<u>588,365</u>
Net income (loss) before transfers	<u>580,297</u>	<u>580,297</u>
<b>OTHER FINANCING SOURCES (USES):</b>		
Operating transfers in	691,732	691,732
Operating transfers out	<u>(697,635)</u>	<u>(697,635)</u>
Total other financing sources (uses)	<u>(5,903)</u>	<u>(5,903)</u>
Change in net assets	574,394	574,394
<b>Net assets - beginning</b>	<u>344,176</u>	<u>344,176</u>
<b>Net assets - ending</b>	<u>\$ 918,570</u>	<u>\$ 918,570</u>

The notes to the financial statements are an integral part of this statement.

**ALTON TOWN, UTAH**  
**Statement of Cash Flows**  
**Major Proprietary Funds**  
**Year Ended June 30, 2006**

	<u>Water Fund</u>	<u>Total</u>
<b>Cash flows from operating activities:</b>		
Cash received from customers	\$ 23,922	\$ 23,922
Cash payments to suppliers for goods and services	(16,902)	(16,902)
Net cash provided (used) by operating activities	<u>7,020</u>	<u>7,020</u>
<b>Cash flows from noncapital financing activities:</b>		
Operating transfers from other funds	(5,903)	(5,903)
Net cash (used) by noncapital financing activities	<u>(5,903)</u>	<u>(5,903)</u>
<b>Cash flows from capital and related financing activities:</b>		
Cash received from impact & connection fees	2,500	2,500
Other receipts (payments)	590,635	590,635
Acquisition of capital assets	(686,070)	(686,070)
Bond proceeds	107,000	107,000
Interest paid on capital debt	(5,275)	(5,275)
Principal paid on capital debt	(2,105)	(2,105)
Net cash (used) by capital and related activities	<u>6,685</u>	<u>6,685</u>
<b>Cash flows from investing activities</b>		
Interest received	505	505
Net cash (used) by investing activities	<u>505</u>	<u>505</u>
Net increase in cash and cash equivalents	<u>8,307</u>	<u>8,307</u>
<b>Cash and Cash Equivalents - Beginning</b>	<u>15,734</u>	<u>15,734</u>
<b>Cash and Cash Equivalents - Ending</b>	<u>\$ 24,041</u>	<u>\$ 24,041</u>
 <b>Reconciliation of operating income (loss) to net net cash provided (used) by operating activities:</b>		
Operating income (loss)	\$ (8,068)	\$ (8,068)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		-
Depreciation expense	16,401	16,401
Increase decrease accounts receivable	(847)	(847)
Increase decrease in accounts payable	(466)	(466)
Total adjustments	<u>15,088</u>	<u>15,088</u>
Net cash provided (used) by operating activities	<u>\$ 7,020</u>	<u>\$ 7,020</u>

The notes to the financial statements are an integral part of this statement.

**ALTON TOWN, UTAH**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying basic financial statements of Alton Town have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board.

The accompanying basic financial statements present the financial position of various fund types and account groups and the results of operations of the various fund types. The basic financial statements are presented for the year ended June 30, 2006.

**A. Reporting Entity**

For financial reporting purposes, Alton Town has included all funds and account groups. The Town has also considered all potential component units for which it is financially accountable and that exclusion would cause the Town's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Town to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the Town.

Based on the above criteria, the Town has no component units and is not a component unit of any other government.

**B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., statement of net assets and statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment.

**ALTON TOWN, UTAH**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

Taxes and other items not properly included among program revenues are reported instead as general revenues. Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

**C: Measurement Focus, Basis of Accounting and Basis of Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, Alton Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Sales taxes, property taxes, franchise taxes, licenses and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The government reports the following major proprietary funds:

The Water Fund accounts for the activities of the Town's water distribution system.

**ALTON TOWN, UTAH**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of all enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds includes the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

**D: Assets, Liabilities and Net Assets or Equity**

**Deposits and Investments:**

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the government to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements and the State Treasurer's Investment Pool.

Investments for the government, as well as for its component units, are reported at fair value. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

**Capital Assets:**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities

columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years.

**ALTON TOWN, UTAH**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

Buildings	40 Years
Improvements Other Than Buildings	20 Years
Equipment	5 - 10 Years

As allowed by GASB Statement 34, the Town has elected to report infrastructure on a prospective basis.

**Compensated Absences:**

The Town has a policy which allows full time employees to accumulate vacation pay and comp-time. The Town allows vacation hours to accumulate up to a maximum of 40 hours payable at termination. The maximum comp-time payable is 40 hours.

**Long-Term Obligations:**

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets.

In the fund financial statement, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, if any, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.



**ALTON TOWN, UTAH**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**Fund Equity:**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**E. Reconciliation of Government-Wide and Fund Financial Statements:**

**A. Explanation of certain differences between the governments fund balance sheet and the government-wide statement of net assets.**

The governmental fund balance sheet includes a reconciliation between total governmental fund balances and net assets of governmental activities as reported in the government-wide statement of net assets. These differences primarily result from the long-term economic focus of the statement of net assets versus the current financial resources focus of the governmental fund balance sheets.

**Capital related items:**

When capital assets (property, plant, & equipment) that are to be used in governmental activities are purchased or constructed, the cost of those assets are reported as expenditures in governmental funds. However, the statement of net assets includes those capital assets among the assets of the Town as a whole.

Cost of capital assets	\$ 742,010
Accumulated depreciation	( 207,434)
Total difference	<u>\$ 534,576</u>

**B. Explanation of differences between governmental fund operating statements and the statement of net activities.**

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. The first element of this reconciliation states that capital outlays are reported in the governmental funds as

expenditures while the government-wide statement of activities allocates these costs over the useful lives of the assets as depreciation. While shown in the reconciliation as the net differences, the elements of this difference are as follows:

**ALTON TOWN, UTAH**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

Depreciation expense	( 9,207)
Net difference as reported	<u>\$ ( 9,207)</u>

**F: Use of Estimates:**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**G: Property Tax:**

Kane County assesses all taxable property other than centrally-assessed property, which is assessed through the state, by May 22 of each year. The Town should adopt a final tax rate prior to June 22, which is then submitted to the state for approval. Property taxes are due on November 30 of each year. Delinquent taxes are subject to a penalty of 2% or \$10.00, whichever is greater. After January 15 of the following year, delinquent taxes and penalty bear interest of 6% above the federal discount rate from January 1 until paid.

Property taxes attach as an enforceable lien on property as they become delinquent. All unpaid taxes levied during the year become delinquent December 1 of the current year.

Property tax revenues are recognized when they become measurable and available. Amounts available include those property tax receivables expected to be collected within sixty days after year end.

**H: Budgets**

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual budgets are adopted for governmental and proprietary fund types. Encumbrance accounting is not employed by the Town in its governmental funds, therefore, all annual appropriations lapse at fiscal year end.

The Town can make adjustments to the adopted budget through public hearings. During the fiscal year, the Town made budget adjustments through public hearings the effects of which were material and are reflected in management's discussion and analysis.

**ALTON TOWN, UTAH**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**I: Statement of Cash Flows:**

For the purpose of the Statement of Cash Flows, the Water Utility Funds consider all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

**NOTE 2: CASH AND INVESTMENTS**

The Town maintains a cash and investment pool, which includes the cash account and several investments.

The Town's deposit and investment policy is to follow the Utah Money Management Act. However, the Town does not have a separate deposit or investment policy that addresses specific types of deposit and investment risks to which the Town is exposed.

Utah State law requires that Town funds be deposited with a "qualified depository" as defined by the Utah Money Management Act. "Qualified depository" includes any depository institution which has been certified by the Utah State Commissioner of Financial Institutions as having met the requirements as defined in Rule 11 of the Utah Money Management Act. Rule 11 establishes the formula for determining the amount of public funds which a qualified depository may hold in order to minimize risk of loss and defines capital requirements which an institution must maintain to be eligible to accept public funds.

The Utah Money Management Act also governs the scope of securities allowed as appropriate temporary investments for the Town and conditions for making investment transactions. Investment transactions are to be conducted through qualified depositories or primary reporting dealers.

As of June 30, 2006, the Town had the following deposits and investments:

<u>Deposit and investment type</u>	<u>Fair Value</u>
Cash on deposit	\$ 31,177
State Treasurer's investment pool	<u>72,622</u>
	<u>\$ 103,799</u>

*Interest rate risk.* The Town manages its exposure to declines in fair value by only investing in the Utah Public Treasurers Investment Fund.

**ALTON TOWN, UTAH**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2006

**NOTE 2: CASH AND INVESTMENTS - CONTINUED**

*Credit risk.* As of June 30, 2006 the Utah Public Treasurer's Investment Fund was unrated.

*Concentration of credit Risk.* The Town's investment in the Utah Public Treasurer's Investment Fund has no concentration of credit risk.

*Custodial credit risk - deposits.* In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of June 30, 2006 none of the deposits was exposed to custodial credit risk because it was uninsured or uncollateralized.

*Custodial credit risk - investments.* For an investment, this is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments that are in the possession of an outside party. The Town's investment in the Utah Public Treasurer's Investment Fund has no custodial credit risk.

Components of cash and investments (including interest earning deposits) at June 30, 2006, are as follows:

Cash on hand and on deposit:

Cash on deposit	\$ 31,177
Utah State Treasurer's investment pool account	<u>72,622</u>

Total cash and investments	<u>\$ 103,799</u>
----------------------------	-------------------

Cash and investments are included in the accompanying combined statement of net assets as follows:

Cash and cash equivalents	<u>\$ 103,799</u>
---------------------------	-------------------

Total cash and investments	<u>\$ 103,799</u>
----------------------------	-------------------

**ALTON TOWN, UTAH**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**

**NOTE 3. CHANGES IN LONG-TERM DEBT:**

The following is a summary of long-term debt transactions of the Town for the fiscal year ended June 30, 2006:

<b>Proprietary Fund Debt:</b>	<b>Balance 6/30/2005</b>	<b>Issued</b>	<b>Matured</b>	<b>Balance 6/30/2006</b>
Revenue Bonds - Rural Development	118,168		2,105	116,063
Revenue Bonds - Community Impact Board	-	107,000		107,000
<b>Total Proprietary Fund Debt</b>	<b>118,168</b>	<b>107,000</b>	<b>2,105</b>	<b>223,063</b>

The following is a summary of long-term debt transactions to maturity for the fiscal year ended June 30, 2006:

<b>Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2007	5,105	5,186	10,291
2008	5,295	5,085	10,380
2009	5,400	4,980	10,380
2010	5,511	4,870	10,380
2011	5,626	4,754	10,380
2012-2016	30,053	21,847	51,900
2017-2021	35,844	18,056	53,900
2022-2026	43,588	13,312	56,900
2027-2031	49,528	7,372	56,900
2032-2036	37,113	1,004	38,117
<b>Totals</b>	<b>223,063</b>	<b>86,465</b>	<b>309,528</b>

**NOTE 4. RISK MANAGEMENT**

Alton Town, Utah is subject to various types of risk such as tort actions, theft, damage, or destruction of assets by intent or acts of God, and job related illnesses or injury.

The Town has procured commercial insurance coverage and Workman's Compensation Insurance which in the Town's estimation, is adequate to reduce the risk of loss to a manageable level..

**ALTON TOWN, UTAH**  
**Notes to Financial Statements**  
June 30, 2006

**NOTE 5: CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2006 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities:</b>				
Capital assets, being depreciated:				
Buildings	666,400			666,400
Improvements other than buildings	39,410			39,410
Machinery & Equipment	36,200			36,200
Total capital assets, being depreciated	742,010	-	-	742,010

	Beginning Balance	Increase	Decrease	Ending Balance
Accumulated depreciation for:				
Buildings	188,836	8,199		197,035
Improvements other than buildings	4,271	525		4,796
Machinery & Equipment	5,120	483		5,603
Total accumulated depreciation	198,227	9,207	-	207,434
Total capital assets, being depreciated, net	543,783	(9,207)	-	534,576
Governmental activities capital assets, net	543,783	(9,207)	-	534,576

**Business type activities:**

Capital assets, being depreciated:

Improvements other than buildings	543,979	665,069		1,209,048
Machinery & Equipment	-	21,000		21,000
Total capital assets, being depreciated	543,979	686,069	-	1,230,048

Accumulated depreciation for:

Improvements other than buildings	99,329	16,120		115,449
Machinery & Equipment	-	280		280
Total accumulated depreciation	99,329	16,400	-	115,729
Total capital assets, being depreciated, net	444,650	\$ 669,669	-	1,114,319
Governmental activities capital assets, net	\$ 444,650	\$ 669,669	\$ -	\$ 1,114,319

**ALTON TOWN, UTAH**  
**Notes to Financial Statements**  
June 30, 2006

**NOTE 5: CAPITAL ASSETS (CONTINUED):**

Depreciation was charged to functions as follows:

General government	\$ 8,109
Public safety	416
Highways & Streets	682
Total	<u>\$ 9,207</u>

**ALTON TOWN, UTAH**  
**Budgetary Comparison Schedule**  
**General Fund**  
**Year Ended June 30, 2006**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
Budgetary fund balance, July 1	\$ 44,171	\$ 44,171	\$ 44,171	\$ -
Resources (inflows):				
Property taxes	20,890	20,890	19,669	(1,221)
Sales and use taxes	9,400	9,400	12,361	2,961
Licenses and permits	2,550	2,550	3,688	1,138
Intergovernmental revenues	250,050	250,050	19,019	(231,031)
Charges for services	1,300	1,300	2,060	760
Interest earnings	1,100	1,100	2,504	1,404
Miscellaneous revenues	3,100	3,100	1,847	(1,253)
Operating transfers in	-	-	697,635	697,635
Amounts available for appropriation	332,561	332,561	802,954	470,393
Charges to appropriations (outflows):				
General government	18,000	18,000	20,342	(2,342)
Public Safety	200,000	200,000	1,762	198,238
Highways & streets	35,200	35,200	6,908	28,292
Parks & recreation	27,100	27,100	1,205	25,895
Capital outlay	5,000	5,000	-	5,000
Operating transfers out	-	-	691,732	(691,732)
Total charges to appropriations	285,300	285,300	721,949	(436,649)
Budgetary fund balance, June 30	\$ 47,261	\$ 47,261	\$ 81,005	\$ 33,744



# Wilson & Company

Certified Public Accountants / A Professional Corporation

## ALTON TOWN, UTAH REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Town Council  
Alton Town  
Alton, Utah

We have audited the financial statements of Alton Town, Utah as of and for the year ended June 30, 2006, and have issued our report thereon dated January 10, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Compliance

As part of obtaining reasonable assurance about whether Alton Town, Utah's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of Alton Town, Utah in a separate letter dated February 13, 2007.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Alton Town, Utah's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a

Alton Town, Utah

Page 2

timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of Alton Town, Utah in a separate letter dated February 13, 2007.

This report is intended solely for the information of Alton Town, Utah and applicable federal and state funding and auditing agencies and is not intended to be and should not be used by anyone other than these intended parties.

  
WILSON & COMPANY  
Certified Public Accountants

Cedar City, Utah

January 10, 2007

# Wilson & Company

Certified Public Accountants / A Professional Corporation

**ALTON TOWN, UTAH**  
**AUDITOR'S REPORT ON COMPLIANCE WITH STATE FISCAL LAWS**  
For the Year Ended June 30, 2006

The Honorable Town Council  
Alton Town  
Alton, Utah

We have audited the general purpose financial statements of Alton Town, Utah, for the year ended June 30, 2006 and have issued our report thereon dated January 10, 2007. As part of our audit, we have audited Alton Town's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; and special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah's Legal Compliance Audit Guide for the year ended June 30, 2006. The Town received the following major State assistance programs from the State of Utah:

C Road Funds (Department of Transportation)	\$ 14,751
---	-----------

Our audit also included testwork on the Town's compliance with those general compliance requirements identified in the Compliance manual for Audits of Local Governments in Utah including:

- Public Debt
- Cash Management
- Purchasing Requirements
- Budgetary Compliance
- Property Tax
- Liquor Law Enforcement
- Other Compliance Requirements

The management of Alton Town, Utah is responsible for the Town's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis evidence about the Town's compliance with the requirements. We believe that our audit provides a reasonable basis for our opinion.

Alton Town, Utah  
Page 2

The results of our audit procedures disclosed immaterial instances of noncompliance with requirements referred to above, which are described in the accompanying management letter. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, Alton Town, Utah, complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of service allowed and unallowed; eligibility; matching, level of effort, or earmarking; reporting, and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2006.



WILSON & COMPANY  
Certified Public Accountants

Cedar City, Utah  
January 10, 2007



# ALTON TOWN INC.

11 South 100 East

P.O. Box 100781

Alton, UT 84710

435-648-2635

435-648-2635(fax)

Email [altonut@xpressweb.com](mailto:altonut@xpressweb.com)

Claren Heaton

Mayor

February 15, 2007

Utah State Auditor  
Salt Lake City, Utah

I have reviewed the recommendations and findings as submitted to Alton Town by Wilson & Company CPAs for the year June 30, 2006 and issue my responses for your review.

## Budget Administration

We noted during our audit that departments for general government and operating transfers to other funds exceeded the adopted budget in violation of State Law.

The Town will more closely monitor expenditures throughout the year and change the budget accordingly.

## Bank Reconciliation

We noted during our audit that reconciliation adjustments were made that offset fund balance.

The Town will more closely monitor bank reconciliations to identify specific accounts that are impacted by reconciliation adjustments and will avoid using fund balance for reconciling adjustments.

## Fund Activity

We noted during our audit that activity for the enterprise fund was incorrectly reported in the general fund.

The Town will use the banks accounts in the enterprise fund to report all enterprise fund activity.

## Bond Principal Paid

We noted during our audit that bond principal was incorrectly reported as an expenditure.

The Town will make the required principal and interest adjustments at year end before finalizing the year end financial statements.

## Bond Funds

We noted that required bond funds were not set up as of June 30, 2006.

The Town will review the bond document and establish the required bond accounts.

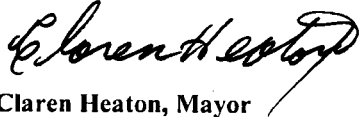
## Accounts Receivable

We noted during our audit that the account receivable balance in the 61+ days outstanding aging category was large in relation to the overall accounts receivable balance.

Accounts Receivable (continued)

The Town will adopt a collection policy to collect accounts receivable in a timely manner. The Town recognizes that fairness to all water users requires that collection policy be uniformly enforced.

Sincerely,

A handwritten signature in cursive script, appearing to read "Claren Heaton".

Claren Heaton, Mayor

# *Wilson & Company*

Certified Public Accountants / A Professional Corporation

The Honorable Town Council  
Alton Town  
11 South 100 East  
P. O. Box 100781  
Alton, Utah 84710

We have completed our examination of the records of Alton Town for the year ended June 30, 2006. As part of our engagement, we offer the following recommendations for strengthening internal accounting controls and improving accounting procedures.

In considering the findings and recommendations in this letter, it is important to recognize that a letter of this type is intended to be constructive in nature and its purpose is to point out areas for improvement. The absence of comment of a positive or complimentary nature is not intended to imply that the Academy operates in an inefficient or unsound manner.

## Budget Administration

We noted during our exam that departments for general government and operating transfers to other funds exceeded the adopted budget in violation of State Law.

We suggest that the Town revise the budget as required through the year to ensure that expenditures are within the approved budget.

## Bank reconciliation

We noted during the exam that the bank reconciliation for September 30, 2005 included a reconciliation adjustment that offset fund balance. The actual source of this adjustment was not identified at the time.

We suggest that the Town locate the actual case of any reconciliation entries so that the appropriate general ledger account affected may be corrected.

## Fund Activity

We noted during the exam that activity for the enterprise fund's bond activity was incorrectly recorded in the general fund. This situation required additional time to identify and correct.

We suggest that all financial activity be reported in the proper fund.

Bond Principal Paid

We noted during our exam that the Town reported bond principal as an expenditure in the enterprise fund.

We suggest that the principal and interest be separated when made so that the year end adjustment is minimized.

Bond Funds

We noted during our exam that the bond funds required by the new bond issue were not set up as of June 30, 2006.

We recommend that the Town review the bond document and identify the bond accounts that need to be established.

Accounts Receivable

We noted during our audit that the account receivable balance in the 61+ days outstanding category of aging was large in relation to the overall accounts receivable balance.

We suggest that the Town monitor the accounts receivable aging report on a monthly basis and collect those balances that are moving into the 31-60+ day outstanding categories. We further recommend that the Town adopt a collection policy that is uniformly enforced throughout the Town.

We appreciate the opportunity to serve Alton Town as independent auditors, and would like to thank Town elected officials and employees for being so helpful during our examination. If we can be of further service or if additional information is required as to items covered in this letter, we would be pleased to meet with you.



WILSON & COMPANY  
Certified Public Accountants  
February 13, 2007